

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



Karl F. Dean, Mayor

July 2015

My Fellow Nashvillians:

I am pleased to present the recommended balanced budget of \$1,968,285,900 for the Metropolitan Government for the fiscal year 2016. The information contained within this budget is the administration's best effort to provide the programs and services that our citizens and visitors deserve. This budget increased 4% over the FY15 approved budget.



To maintain our goal of producing conservative budgets, departments were asked to present options for 3% reductions. I am pleased to report that the departments complied with our request, and we identified budget reductions of over \$15 million in the FY16 recommended budget.

This budget reflects the principles I have governed by since taking office in 2007: Making strategic investments, based on the city's priorities, to inspire private investment; spending capital dollars broadly but wisely in neighborhoods throughout Nashville; boldly embracing new ideas and tackling tough issues; and leaving the city in better shape financially than when I took office.

The recommended budget for FY16 continues our focus on the three priorities we have to pay attention to every single day: education, public safety and economic development. These three priorities are really one priority, woven tightly together in a fabric of civic fortune.

Education is the key to open the door of opportunity for the future generations of Nashvillians. In keeping with the commitment to provide our children with the best education possible, my administration has recommended that Metro Schools receive a \$36 million increase over the amount allocated in FY15. This increase will not only allow for improvements in our current structure but will complement the addition of \$131 million in capital spending dollars to create the Nashville Newcomer Academy, as well as build a new elementary school in Cane Ridge and renovate Overton High School and Martin Luther King Jr. Magnet School.

Public Safety is a key to a successful community. A city has to feel safe and be safe to be successful. By living up to our nickname "Music City," we have seen an increase in special events being held throughout our city and have included \$802,200 to provide increased safety to residents and visitors. Also, a new Office of Family Safety will be created to coordinate domestic violence services and manage the Jean Crowe Advocacy Center. The new office would institutionalize work that is already taking place in Metro and would require a budget enhancement of \$205,600. In the capital spending plan, we are proposing \$149 million in capital dollars to relocate the Criminal Justice Center and build a new Family Justice Center.

Economic Development is essential to a vibrant city, and that's why our administration has been focused on creating and keeping jobs in Davidson County. A high quality of life goes hand in hand with building the kind of city where jobs are being created. For FY16, the city of Nashville will invest \$1 million in affordable housing through the Barnes Fund, along with \$4 million for the Metro Housing Agency to advance affordable housing initiatives.

We also are recommending several other budget increases to enhance direct services to citizens. Metro Public Health will receive \$319,800 to expand dental services at the Lentz Public Health Center and increase staff at the Division of Metro Animal Control.

Public Works will receive an additional \$1.26 million to fund a convenience center for residential waste and recycling in southern Davidson County. Funding would also cover operating costs for a new recycling program that would be concentrated in the downtown area and add 175 recycling receptacles.

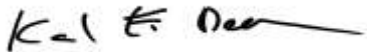
The Metro Transit Authority will receive \$3.64 million to fund the bus rapid transit lines on Charlotte Pike and Nolensville Pike. These routes will complement the ones already established on Gallatin Pike and Murfreesboro Pike.

I am proud that this budget also includes funds for employee compensation. All Metro employees would receive a 2.5 percent cost-of-living raise, while the city also would provide increment pay for eligible employees; appropriate increases for those not eligible for increment pay; and funds for public safety employees who face salary compression issues.

The FY 16 capital spending plan continues our philosophy that public-private partnerships make our city stronger by committing \$2 million for Nashville State Community College to build satellite campuses in Donelson and Madison. The plan also expands our sidewalk network with an investment of \$25 million – the single largest infusion of dollars for sidewalks in any of this administration's capital spending plans.

Nashville is a place where people want to live, work and play. The city is continuing to grow as we plan for a better future. This is Nashville's time, and, as I present my last budget, I do so with confidence that it will enable the next administration to continue to move our city forward.

Sincerely,



Karl Dean
Mayor

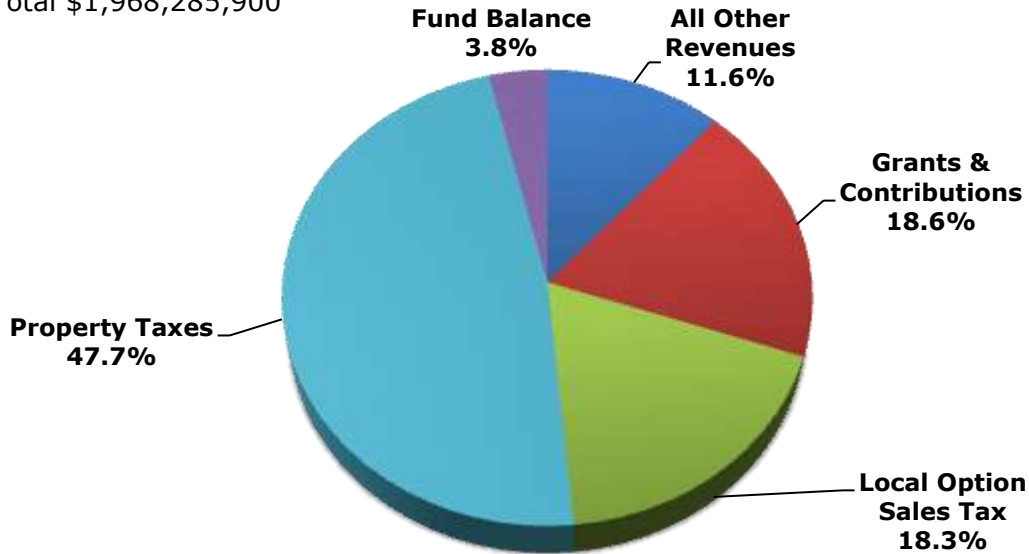
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At a Glance

The \$1.97 billion FY2016 budget for the Metropolitan Government's six budgetary (tax-supported) funds supports a wide range of public services. This budget represents a 4.05% increase from the FY15 budget.

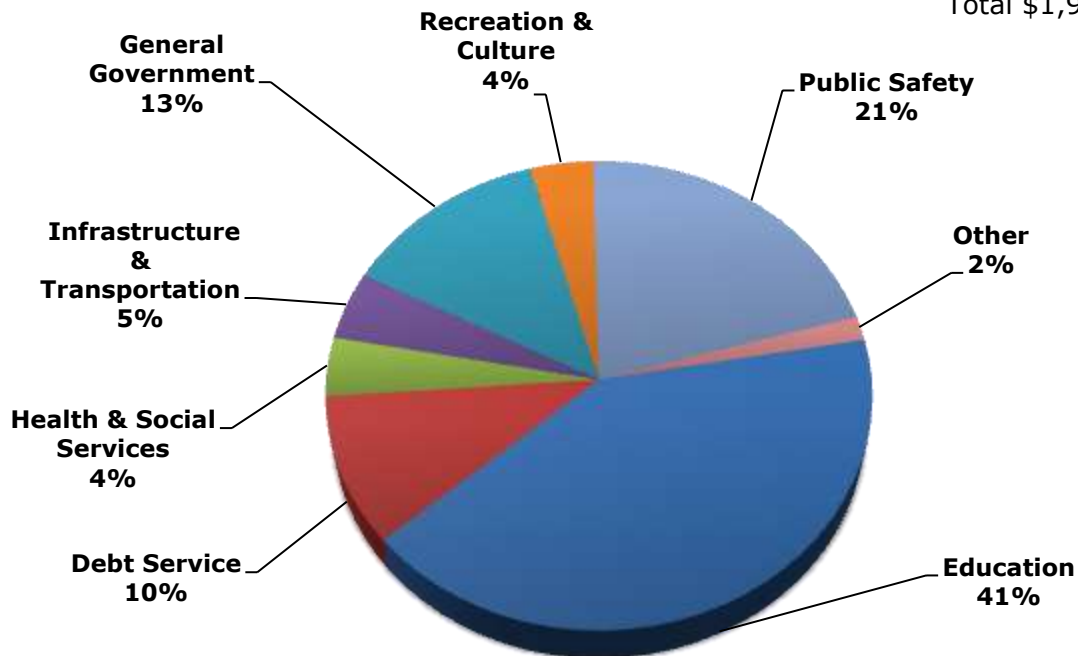
Revenues

Where the Money Comes From
Total \$1,968,285,900



Expenditures

Where the Money Goes
Total \$1,968,285,900



Summary of the FY2016 Budget – Six Budgetary Funds

	GSD General Fund	GSD Debt Service	Per Budget Ordinance GSD School Debt Svc	GSD School Fund	USD General Fund	USD Debt Service	Duplicated by Interfund Transfers	Total
Estimated Revenues:								
Property Taxes	407,581,500	86,814,100	36,919,200	293,426,500	99,915,800	14,173,500	-	938,830,600
Local Option Sales Tax	113,311,200	1,840,900	34,857,400	210,866,400	-	-	-	360,875,900
Grants & Contributions	87,496,000	2,781,300	-	274,940,000	1,243,800	-	-	366,461,100
All Other Revenues	196,085,000	29,842,100	2,960,500	14,767,100	8,377,400	1,907,600	(25,692,100)	228,247,600
Fund Balance Appropriated	40,000,000	5,000,000	3,300,000	16,000,000	8,070,700	1,500,000	-	73,870,700
Total Revenues	<u>\$ 844,473,700</u>	<u>\$ 126,278,400</u>	<u>\$ 78,037,100</u>	<u>\$ 810,000,000</u>	<u>\$ 117,607,700</u>	<u>\$ 17,581,100</u>	<u>\$ (25,692,100)</u>	<u>\$ 1,968,285,900</u>
Appropriated Expenditures:								
General Government								
General Government	205,990,600	-	-	-	26,364,500	-	-	232,355,100
Fiscal Administration	22,132,100	-	-	-	-	-	-	22,132,100
Public Safety								
Administration of Justice	57,874,500	-	-	-	-	-	-	57,874,500
Law Enforcement & Jails	236,725,500	-	-	-	481,000	-	(481,000)	236,725,500
Fire Prevention & Control	48,173,500	-	-	-	65,272,900	-	-	113,446,400
Other								
Regulation & Inspection	29,682,000	-	-	-	2,383,900	-	-	32,065,900
Health & Social Services								
Social Services	8,095,700	-	-	-	-	-	-	8,095,700
Health & Hospitals	70,975,900	-	-	-	-	-	-	70,975,900
Recreation & Culture								
Public Libraries	26,737,600	-	-	-	-	-	-	26,737,600
Recreational & Cultural	50,691,700	-	-	-	300,000	-	-	50,991,700
Infrastructure & Transportation	68,861,300	-	-	-	22,805,400	-	-	91,666,700
Education	-	-	-	810,000,000	-	-	(3,156,500)	806,843,500
Debt Service	-	126,278,400	78,037,100	-	-	17,581,100	(22,054,600)	199,842,000
Transfers	18,533,300	-	-	-	-	-	-	18,533,300
Reserves	-	-	-	-	-	-	-	-
Total Expenditures	<u>844,473,700</u>	<u>126,278,400</u>	<u>78,037,100</u>	<u>810,000,000</u>	<u>117,607,700</u>	<u>17,581,100</u>	<u>(25,692,100)</u>	<u>1,968,285,900</u>
Projected Surplus (Deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Comparison of the FY2015 and FY2016 Budget Ordinances - Six Budgetary Funds

	FY2015	FY2016	Change	% Change
GSD General Fund	\$ 820,841,700	\$ 844,473,700	\$ 23,632,000	2.88%
GSD Debt Service Fund	120,997,300	126,278,400	5,281,100	4.36%
GSD Schools Fund	790,067,500	810,000,000	19,932,500	2.52%
GSD Schools Debt Service Fund	76,356,000	78,037,100	1,681,100	2.20%
USD General Fund	111,102,900	117,607,700	6,504,800	5.85%
USD Debt Service Fund	20,486,700	17,581,100	(2,905,600)	-14.18%
Duplicated by Interfund Transfers	(48,205,100)	(25,692,100)	22,513,000	-46.70%
Total Budget	<u>\$ 1,891,647,000</u>	<u>\$ 1,968,285,900</u>	<u>\$ 76,638,900</u>	<u>4.05%</u>

Introduction

This summary and the remainder of this book present the Metropolitan Government's balanced \$1.968 billion operating budget for FY2016. All funds are required to balance. As such, total anticipated revenues must equal the sum of budgeted expenditures for each fund. Revenues are derived from four sources: current revenue charges, increases in existing revenue charges, new revenue sources, and unallocated reserves carried forward from prior years.

Budget Priorities

This budget continues our focus on developing a balanced budget that invests in Nashville's future and keeps taxes low. Our priorities for this budget are:

- To provide funding for public education
- To advance the safety of the Nashville community
- To promote economic development
- To maintain the livability of Nashville by providing opportunities for citizens to pursue a healthy life
- To protect direct services to the public as much as possible in making budget reductions

Changes from the FY2015 budget are detailed in the "Highlights" of each department's narrative in this document. This information is also accessible via the Citizens' Guide to the Budget web site at www.nashville.gov/citizens_budget.

Public Education

School Fund Budget	
FY2015	\$790.1 million
FY2016	810.0 million
Increase	\$ 19.9 million

The public education budget was developed by the Metro Nashville Public Schools' administrative staff and initially presented in draft format to the Metro Nashville Public Schools (MNPS) Board of Education for review. After receiving input from the community, parents, staff, and students, the budget was reviewed, adjusted, and approved by the MNPS Board.

This budget funds the MNPS at \$810 million. This is a nominal increase of \$19.9 million over the FY15 funding level. However, the FY15 budget of \$790.1 million included \$16.1 million to pay debt service. In FY16, this \$16.1 million is being redirected for use by school operations, making the real increase in MNPS operational funding \$36.1 million, which is a 4.7% increase. The recommended increase will fund pay increases for employees, employee benefits, approximately 100 new employees, and adds seven (7) new charter schools and two (2) new district schools. The increase will also fund program changes for the expansion of Reading Recovery (the district's literacy program), increase in leadership stipends for teachers and the expansion of English Language Learner services.



Metro Nashville Public Schools is taking an important step toward greater education equity by joining PASSAGE, a four-city program of action from the Atlantic Philanthropies and the Annenberg Institute for School Reform at Brown University. PASSAGE, which stands for "Positive and Safe Schools Advancing Greater Equity," is an action and learning network that aims to examine racial and other disparities in school discipline. Nashville joins New York, Chicago and Los Angeles.

MNPS Virtual School has received national accreditation through the AdvancED Accreditation Commission. Virtual is the first school in Tennessee accredited under AdvancED's new quality standards for digital learning. Virtual School now serves students in grades seven through 12, with plans to expand to the sixth grade in 2016.

Public Safety

Public Safety Budget	
FY2015	\$399.3 million
FY2016	408.0 million
Increase	\$ 8.7 million

Metro continues to focus on assuring that our citizens are safe by providing the necessary personnel, training, and equipment to our Public Safety programs. Highlights from selected departments include:

**Police**

The Police Department's annual budget for FY16 provides \$750,000 in additional funding to support special events to help insure the safety and well-being of Nashville's citizens and visitors. The Crime Lab will receive \$250,000 of additional funding for operational supplies. The newly accredited lab will have its first year of full operation in FY16.

Fire

The Fire Department's operational budget for FY16 continues to support full staffing for front line positions in the fire response and emergency management services thus maintaining this administration's commitment to public safety. The department's budget includes \$75,000 for a staffing study.

Sheriff

The Davidson County Sheriff's Office budget for FY16 continues to support full staffing for correctional services thus maintaining this administration's commitment to public safety

Domestic Violence

Metro continues its investment to end domestic violence in our city by establishing the Office of Family Safety. This office will provide support to the Jean Crowe Advocacy Center. Cross departmental efforts will still exist and include the Criminal Court Clerk, District Attorney's Office, General Sessions Court, the Public Defender's Office and the Sheriff's Office.

Protect Direct Services

Over \$15 million in operating budget savings have been identified through the budget process. Much of this savings has been achieved through benefit cost reductions. Only \$2 million of savings are non-benefit related. Department and agency leaders worked closely with the Finance Department and Mayor during the preparation of the FY16 budget to identify reductions to their budgets that targeted their internal administration and protected, to the greatest extent possible, direct services to the public. No facilities were closed or hours reduced as a result of the FY16 budget reductions.

Pay Plan/Benefit Adjustments

The FY16 budget provides funding for all employees to receive a 2.5% cost of living increase, beginning in July 2015. Funding is also provided for employees on increment pay plans, and funding for a 2% increase to eligible employees on open range pay plans, beginning in July 2015.

It is important to Metro to maintain a strong workforce. As part of its employee hiring and retention strategy, Metro offers competitive wages.

The budget also includes \$6 million of additional funding for the 1% cost of living increase, and 2% open range plan increase that began in January 2015. With this funding, the increase that began last year will be fully funded for all of FY16.

This budget sets aside funding for benefit adjustments of \$4.4 million, in anticipation of ongoing health insurance, and pension costs for employees and retirees. These costs are budgeted centrally and will be distributed to departments' budgets during the fiscal year.

For FY16, the pension contribution rate decreased to 15.51% as compared to 17.987% in FY15. The pension rate for FY16 has been actuarially determined.

FTE Adjustments

The table below illustrates changes in full-time equivalent (FTE) counts for FY14 through the recommended FY16 budget for positions funded by the general funds.

FTEs by Fund Group				
	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY15 – FY16</u> <u>Variance</u>
GSD	6,069.91	6,240.79	6,310.93	70.14
USD	732.00	751.00	751.00	0.00
Total	6,801.91	6,991.79	7,061.93	70.14

For FY16, the GSD shows an increase whereas the USD shows no change in FTEs from the previous year. For a detailed list of FTEs by department including additions and reductions, see Appendix 1 Schedule 3. This appendix also includes information on FTEs funded by other revenue sources.

Economic Trends

The resources available to Metro are directly and indirectly dependent on the strengths of the National and State economies. Given these relationships, the status of these economies, and their impact on Metro, are reviewed prior to setting funding levels.

The estimated labor force for the state of Tennessee is 2,694,288 which represents a 5.3% growth from 2010-2013. In 2014, it is estimated that an additional 316,712 jobs have been created across the state. For Nashville, the labor force is 334,761 with 312,906 being employed.

The top employer in Nashville/Davidson County is Vanderbilt University with an estimated 23,021 employees. The next two largest employers are from the government sector being the State of Tennessee with 18,200 employees and the US Government with 12,177 employees. The unemployment rate for the state of Tennessee remained unchanged when comparing 2012 and 2013, where the rate was 8.20%. However the unemployment rate for Nashville/Davidson County declined from 6.80% in 2012 to 6.50% in 2013. In December 2014, the unemployment rate was 5.3% which continues to support the claim that unemployment is decreasing in the area. Forbes (May 27, 2014) ranked the Cities Winning the Battle for Information Jobs, with the Nashville MSA coming in 10th of large cities. This was determined by percentage job growth over short-term, mid-term, and long-term periods. Prospectively, unemployment will continue to decrease at a slow rate in 2016 and 2017.

In 2013, for Nashville/Davidson County, the Codes Department inspected 74,442 buildings, which increased to 91,855 structures in 2014. As of 2014, there were 256,745 households in Davidson County which has a homeownership rate of 54.7%. The median sales price of homes sold in the county was \$190,550. New housing grew by 14.6 percent and housing starts increased by 19.6 percent in 2013. Overall prices rose by 1.5 percent in 2013. Leisure and hospitality, professional and business services, and transportation equipment are expected to experience the largest rates of growth, with limited but continued growth in manufacturing area.

The estimated GDP (2013) for the State of Tennessee is \$269,602,000,000. This is a growth of 7% when reviewing the data from 2010-13. According to the Bureau of Economic Analysis, the GDP for Nashville – Davidson MSA was \$97,330,000 in 2012 and \$100,841,000 in 2014 for data that could be displayed. Nashville/Davidson County economic growth outpaces the nation as a whole. Between 2007 and 2013, the Nashville MSA had a GDP growth rate of 11.5%.

Property Reappraisal

The Assessor's Office conducts a property reappraisal every four years under Tennessee state law. The reappraisal estimates the value of all property in Davidson County. This is performed to periodically adjust recorded property assessments to generally reflect market values.

State law also requires that this reappraisal be revenue neutral for local governments. This means that as the aggregated value of property changes, the tax rate must change as well to ensure that the local government receives the same amount of revenue. So, if the property in the county collectively increases in value, the actual property tax rate needs to drop so that the revenue collected remains the same. The next reappraisal will occur during 2017.

Revenues

The tone of any government's budget is always set by the availability of resources. Revenues and available fund balances must be able to support budgeted expenditures, and both the Metropolitan Charter and Tennessee Law prohibit deficit financing. The largest sources of revenue are property taxes and sales taxes, which are discussed below.

Property Taxes

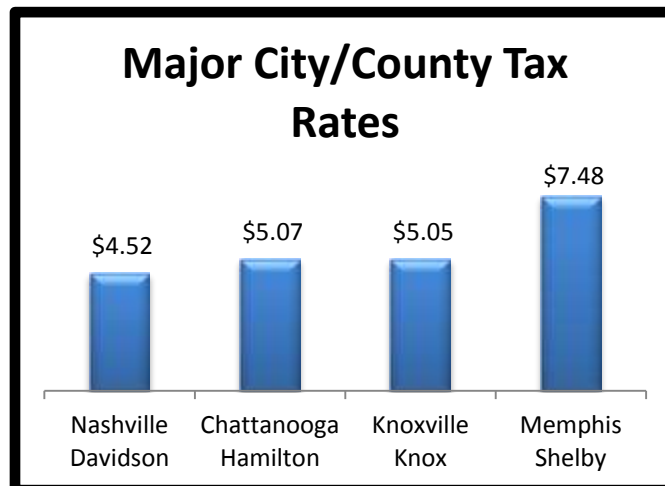
Property Tax Budget	
FY2015	\$932.8 million
FY2016	938.8 million
Increase	\$ 6.0 million

The predominant source of revenue is Property Tax. Property tax is forecasted to increase by 0.6%, from \$932.8 million to \$938.8 million, between FY2015 and FY2016. In FY16, the property tax rate will remain the same as in FY15 at \$4.52, per \$100 of assessed valuation.

The combined USD-GSD rate is the total paid for property in the USD; property outside the USD is taxed at the GSD rate. Residents of the satellite cities within Metro pay the GSD rate plus the rate set by that satellite city.

FY2016 Property Tax Distribution (Rates per \$100 of Assessed Value)			
District	Fund	2015 Rate	2016 Rate
GSD (General Services District)	General	\$1.905	\$1.905
	Schools General Purpose	1.416	1.416
	General Debt Service	0.423	0.423
	Schools Debt Service	0.180	0.180
	Subtotal - GSD	\$3.924	\$3.924
USD (Urban Services District)	General	\$0.480	\$0.495
	General Debt Service	0.112	0.097
	Subtotal - USD	\$0.592	\$0.592
Combined USD/GSD rate		\$4.52	\$4.52

Metro's property tax rates are the lowest of the four major Tennessee cities and competitive with those of surrounding areas. The following chart represents the proposed tax rates for Nashville in FY16, and the current tax rates for Knoxville, Chattanooga, and Memphis.

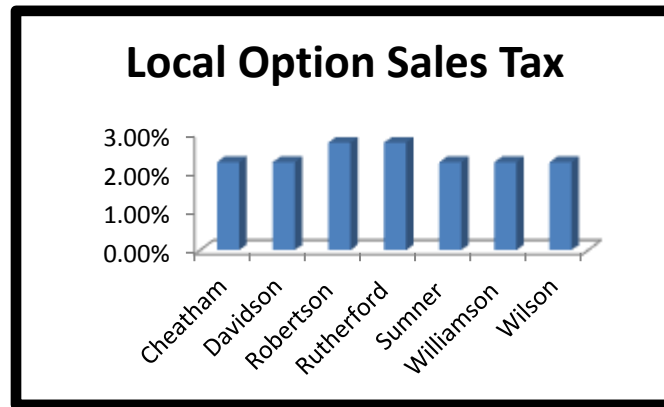


Local Option Sales Tax

Sales Tax Budget	
FY 2015	\$325.3 million
FY 2016	360.9 million
Increase	\$ 35.6 million

A notable increase in economic growth is projected to have an immediate effect on sales tax collections and secondary effects on other revenue sources. Taxable sales are expected to increase in FY16 by 10.9% from FY15.

The budget includes no change either in the rate of the 2.25% local option sales tax. By State law, at least 1/2 of the local sales tax must be allocated to schools. Nashville Davidson County has chosen not to increase to the state allowed maximum of 2.75%. The following chart shows local sales tax rates in surrounding counties. Note these percentages represent the FY2015 rates. FY2016 information on the surrounding counties was unavailable at print time.



Davidson County's Local Option Sales Tax Rate is 2.25% as of May 1, 2015. By comparison, Robertson and Rutherford County rates are higher by .50% at 2.75%. Cheatham, Sumner, Williamson and Wilson County are all comparable to Davidson County, at 2.25%.

Federal, State, and Other

Federal, State, & Other Gov't Agencies Budget	
FY2015	\$352.5 million
FY2016	366.5 million
Increase	\$ 14.0 million

Budgeted Federal, State, and Other revenues are based on our best estimates of revenues from specific sources. This category also includes other revenues, reimbursements, and grants from other organizations.

Other Local Revenues

Other Revenues Budget	
FY2015	\$208.5 million
FY2016	228.2 million
Increase	\$ 19.7 million

Other Local Revenues include items such as motor vehicle licenses, traffic violation fines, parking fees, building and excavation permits, emergency ambulance fees, alcoholic beverage taxes and court fees. Transfers from other funds are also included in this category. Other local revenues are expected to increase in FY16 by 9.4%.

Fund Balances

Fund Balance Appropriated	
FY2015	\$72.5 million
FY2016	73.9 million
Increase	\$ 1.4 million

Fund balances occur when revenues received are greater than expenditures. We normally see fund balances increase at the end of each year, and routinely appropriate some of that to support the next year's operating budget.

It is Metro's policy that fund balances as a percentage of expenditures for the General Funds should remain above the 5% minimum set by management to handle unanticipated contingencies. Over the past few years Metro agencies worked diligently to build fund balances above and beyond the minimum requirements. The FY16 budget appropriates \$73.9 million from operating and debt service fund balances. Even with this use, fund balances are projected to continue to exceed minimum fund balance requirements required by Metro Nashville policy.

Strategic Issues

Several strategic issues are relevant to Nashville Metropolitan Government, which are discussed below.

Law Enforcement and Public Safety

Nashville Metropolitan Government has continued to focus on law enforcement as an essential function of local government. Successive budgets have maintained the investment in resources that have made a significant impact on the safety of citizens. Investment in new precincts, a new Crime Lab, and operational resources reinforces the commitment to law enforcement and public safety, impacting the local crime rate across every category of crime. In the FY16, the Police Department will be receiving \$750,000 to Special Operations Support which ensures public safety at the city's special events.

Also, a new Office of Family Safety will be created to coordinate domestic violence services and manage the Jean Crowe Advocacy Center. The new office would institutionalize work that is already taking place in Metro and would require a budget enhancement of \$205,600.

Economic Development and Job Growth

The local economy has done very well post-recession. Job growth exceeds the national average. Commercial and multi-unit residential construction, especially in the urban core, is very strong. These gains are expected to add significantly to property taxes as properties come on line. Increased construction will cause pressure on local government to provide infrastructure and services to support the increased demands of the population.

One specific area of focus is the continual growth of downtown Nashville. On November 12, 2014, Bridgestone announced it was building a 30-story tower in the South Broadway area which will bring 1,700 jobs to Nashville. On April 21, 2015, Metro Council gave preliminary approval to sell the old convention center on Commerce Street to developers who plan on revitalizing the building.

As the city of Nashville continues to emerge as the place for large conventions and a leader in the hospitality industry, the demand for service industry workers also increases. The need for affordable housing has not kept pace with this demand. To address this issue, FY16 includes an increase to the Barnes Fund, which provides assistance to individuals in need of affordable housing so they can continue to be employed in the service industry and other similar paying professions.

Investments like these are critical to local economic growth as recovery from the recession on the national, and state levels continue.

Strategic Planning & Performance Measurement

Since 2002 Metro Government has deployed a government-wide strategic planning and performance measurement initiative through the Office of Management and Budget in the Department of Finance.

This strategic planning and performance measurement initiative has introduced the strategic management methodology into the systems and culture of the Metro government. It provides tools and data necessary to support every employee to focus on delivering results for customers. Benefits of this initiative include:

- Performance information is made available to help managers make better business decisions.
- The budget is organized around programs and links budgeted dollars to results.
- The culture of the agency can be more tightly focused on producing results for customers – and not on internal processes.
- The organization becomes aligned so that employees at all levels know how they contribute to the overall goals of the department.
- Better results are produced for citizens

Departmental strategic business plans and performance are reviewed, tracked, and reported to citizens, employees, and Metro's leadership to support more informed decisions at all levels of the organization. The department strategic business plans can be found at www.nashville.gov/performance.

To support the efforts of this government around transparency and accountability, Metro publishes Performance Reports. These reports highlight the mission, goals and

performance information for several Metro departments so readers can answer the question for themselves, "How well is Metro doing?" These reports for fiscal years 2006 - 2013 are available on the Citizens' Guide to Metro's Performance at www.nashville.gov/performance.

Conclusion

The FY16 budget continues to meet our objectives of strengthening public education and protecting the safety of the public while maintaining a balanced budget.